

ANNUAL  
REPORT  
1971



ONTARIO TRUST

## BOARD OF DIRECTORS

*John L. C. McKay-Clements P.Eng.	President, Canadian Lundia Limited
Russell A. Edwards, Q.C.	Simmers, Edwards, Jenkins, Thompson, Sommerville and Lebrun
Allan J. Hammond	Member of the Board of Governors, Algonquin College
Arthur H. Honsberger	Vice President, Canadian Goldale Corporation Limited
Sidney T. Hopkins, C.A.	Hopkins, Beadle and Company, Chartered Accountants
*George E. Johnston	Chairman, Diversco Holdings and Industries Limited
George E. Knowles	President, Geo. E. Knowles Limited
A. Morris Korman	President, Korman's Dairy Limited
*Robert W. Macaulay, Q.C.	Thomson, Rogers
Donald McKelvie	President, Northern Telephone Limited
Bernard J. Persiko, Q.C.	Rose, Persiko and Arnold
Reginald H. Pope, C.A.	Ross, Pope & Co., Chartered Accountants
*Dr. Kenneth A. Roberts	Chairman of the Board and Chief Executive Officer, Ontario Trust Company
*Charles F. Watson	President, Ontario Trust Company
Leon E. Weinstein	Chairman, Ahed Music Corporation Limited
*Burton Winberg	President, Rockport Holdings Limited
*John A. Worsley	Senior Vice-President and General Manager, Ontario Trust Company
James A. Yanch, Q.C.	Parkhill and Yanch

\*Members of Executive Committee

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## OFFICERS

Chairman of the Board and  
Chief Executive Officer  
President  
Senior Vice President and  
General Manager

Dr. Kenneth A. Roberts  
Charles F. Watson

John A. Worsley

Vice Presidents

John L. C. McKay-Clements, P.Eng.  
George E. Johnston  
Robert W. Macaulay, Q.C.

Assistant to the President  
Secretary  
Treasurer  
Inspecting Officer  
Mortgage Officer  
Registrar

Alan T. Shelley  
Allan C. Rose, Q.C.  
Donald J. Cotie  
Gordon M. Parr  
Paul W. Emas  
Patrick G. Green



## REPORT TO SHAREHOLDERS

It gives us great pleasure to make this first Annual Report in the name of the newly created Ontario Trust Company. Ontario Trust came into existence, December 31, 1971 as a result of the amalgamation of three affiliated predecessor companies; Central Ontario Savings and Loan Corporation, Northland Trust Company and Central Ontario Trust and Savings Corporation. This important event, in addition to bringing together three vigorous growing entities, lays the foundation for an enterprise destined to become a major force in the industry and enables us to provide a more comprehensive, superior level of service to the communities we serve. The year 1971 has been one of dynamic growth and exciting events in the evolution of the Company.

### THE ENVIRONMENT

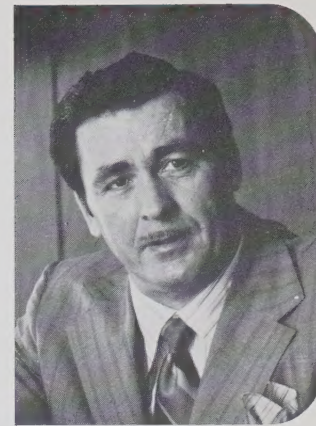
The trend of the last four years has shown trust companies steadily increasing their percentage of total funds on deposit with Canadian financial institutions. An important factor in developing this impetus was the creation of the Canada Deposit Insurance Corporation in 1969. This event was significant in increasing the stability of deposits as a source of funds.

More recently the amendments to the statutes governing both federally and provincially incorporated trust companies has sharply broadened the scope of activities. It appears, at this juncture, that these developments will have as positive an effect on trust companies' growth as the 1967 revisions to the Bank Act had on the growth of the chartered banks. Present prospects appear highly favourable.

Of perhaps greatest significance in 1971 was the startling growth in monetary aggregates resulting from the easy money policy pursued by the government and the Bank of Canada. Money supply grew at a rate approaching 20% as monetary authorities primed the economy in an attempt to end the recession conditions of 1969-1970. Personal savings as a percentage of disposable income reached record heights during the year. A growing portion of these savings flowed into the hands of trust companies.



Dr. Kenneth A. Roberts



Charles F. Watson

As a result of the easy monetary policy the whole interest rate structure retreated sharply from 1970 peaks. Short term rates declined even more dramatically as monetary policy was utilized to alleviate our foreign exchange surplus. Under these conditions cost of funds to trust companies declined with a consequent increase in net earnings.

Ontario Trust benefited from these trends. However, as Ontario Trust obtains a relatively small proportion of funds in the short term area, the impact on earnings was not as significant as may have been the case with some other companies. Conversely, when short term rates increase, as they have been doing for most of 1972, the influence on earnings growth is again minimal.

The most appropriate operating conditions for Ontario Trust, with the most significant positive effect on earnings growth, occur during a period of accommodating monetary policy accompanied by a high level of mortgage demand. These conditions existed for much of 1971.

In the November 1971 to March 1972 period, however, in reaction to the apparent trend of lower mortgage interest rate levels real estate developers and other borrowers refrained from obtaining mortgage commitments leading to a somewhat artificial low level of demand. In recent weeks, as a trend to higher rates became more dominant, and in the face of what appears to be shaping up as a boom construction year, borrowers have shown a greater tendency to obtain their requirements. As the trend for the balance of 1972 appears to be for a relatively neutral or slightly higher interest rate structure, a high level of mortgage demand appears probable. This should provide a healthy background for continued growth in activity, and in earnings. In addition, a built-in element of earnings growth exists as the record volume of mortgages funded during 1971 contributes to earnings for the full year.



## SHARE CAPITAL

Among the important developments to the Company were two infusions of new capital. In October, to accommodate the rapid growth in deposits, one of the predecessor companies, Central Ontario Savings and Loan Corporation sold 30,000 treasury shares for \$240,000 to a Canadian life insurance company. As a result of the amalgamation, these shares were subsequently exchanged for approximately 39,000 shares of Ontario Trust.

Subsequent to year end, on February 6, 1972, 400,000 treasury shares of Ontario Trust were sold for \$2,800,000 to a number of institutional and private investors including the Canadian subsidiary of the Hambros Bank Group of London, England. Hambros, with assets of approximately \$2 billion is one of the world's largest and oldest merchant banking organizations. This latest financing provides a stable base for the continuation of the rapid growth in deposits and for the general development of the Company.

## FINANCIAL

Record levels were achieved in all areas. Earnings before taxes amounted to \$747,000.00 as compared with the combined earnings before taxes of the three predecessor companies of \$352,000.00. Due to the reduction in tax loss carry forward, a higher tax rate moderated net earnings growth resulting in a net of \$581,000.00 or \$0.53 per share. This increase in profits can be attributed to many factors, but primarily to the rapid increase in deposits accompanied by healthy growth in the mortgage portfolio. At year end the mortgage portfolio exceeded \$71 million versus the previous year's combined total of \$56 million. The overall yield on mortgages at December 31, 1971 stood at 8.75% with 84% of the total in single family homes.

Total deposits at \$96 million increased during the year by approximately \$22 million or 30%. Deposit growth in the first quarter of 1972 is sharply ahead of 1971 and, barring a return to restrictive monetary policy which appears unlikely during 1972, this trend should continue. In addition our growth in the number of customers is most encouraging with the total at year end in excess of 90,000.

It will be noted that, in accordance with the recommendations of various accounting bodies, assets held in estates, trust and agencies are no longer shown on the balance sheet. As these assets are not part of the resources of the Company available to meet obligations it is not considered appropriate to show them as a balance

sheet item. At year end estates, trust and agencies totalled \$2.7 million.

Figures for the previous year have not been included in the 1971 audited financial statements as they are not strictly comparable. However, 1970 balance sheet items are summarized at the end of this report. For more detailed and complete information reference should be made to the 1970 Annual Reports.

## APPOINTMENT

In order to provide for greater depth of management and to take advantage of the opportunities ahead, we have recently made an important addition to the head office executive staff with the appointment of John A. Worsley as Senior Vice President and General Manager and as a member of the Board of Directors. Mr. Worsley has had wide experience in the trust company industry and is responsible to the Chief Executive Officer for the overall operations of the Company.

## PREMISES

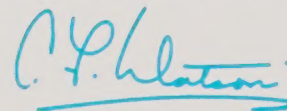
We are continually trying to upgrade premises within the framework of the need for a close control of expenditures. Importantly during the year our branch in Kapuskasing was relocated to the Model City Mall. This well located and attractive branch has been enthusiastically received by the public and because of its central location serves a wide area of northern Ontario.

## PERSONNEL

Ours is a service industry and the success of our operation depends very highly on the quality of our staff. The staff of Ontario Trust are of excellent calibre and as they grow in numbers we are determined to see this standard maintained. The process of amalgamating the three companies created considerable additional burdens which were willingly accepted by all concerned. We wish to express our sincere appreciation to all our staff both in head office and at the branches for the very important part they have played in the success of the Company.



K. A. Roberts  
Chairman of the Board  
and Chief Executive Officer



C. F. Watson  
President

May 5, 1972

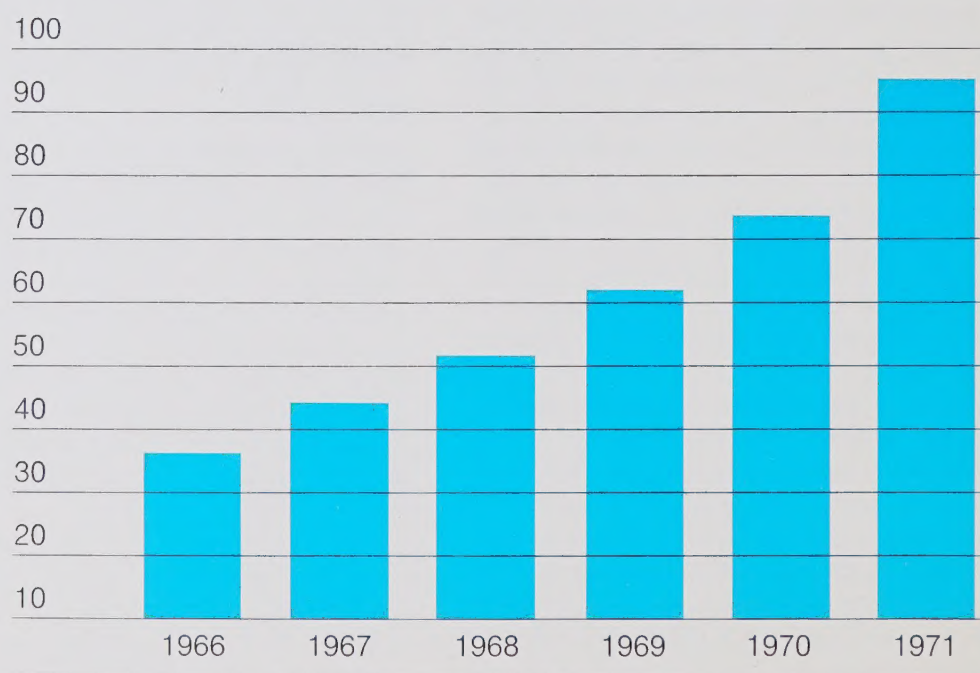


## SUMMARY

### DEPOSIT POSITION AT YEAR END.

	(\$ Thousands)					
	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>
Central Ontario Savings	\$21,579	24,225	27,108	31,345	37,979	
Northland Trust	9,099	13,395	16,175	21,279	25,919	
Central Ontario Trust	5,469	6,602	8,188	10,014	10,310	
Ontario Trust						95,966
	<u>\$36,147</u>	<u>44,222</u>	<u>51,471</u>	<u>62,638</u>	<u>74,208</u>	<u>95,966</u>

\$ Millions



## AUDITORS' REPORT

To the Shareholders of Ontario Trust Company.

We have examined the balance sheet of Ontario Trust Company as at December 31, 1971 and the statements of income, retained earnings and general reserve for the year then ended (determined on the basis outlined in Note 2 (d) to the financial statements) and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations (see Note 2 (d)) for the year then ended.

COLLINS, LOVE, EDDIS, VALIQUETTE & BARROW  
CHARTERED ACCOUNTANTS

Toronto, Canada,  
February 23, 1972.

PAPE, STROM, LAVINE & SHULMAN  
CHARTERED ACCOUNTANTS



ONTARIO TRUST COMPANY  
BALANCE SHEET  
DECEMBER 31, 1971

ASSETS

Cash and bank deposit receipts .....\$ 8,287,000

Securities (Note 3)

Bonds

Government of Canada ..... 7,324,000

Provinces of Canada ..... 10,247,000

Municipal and other ..... 3,736,000

Stocks ..... 1,261,000

22,568,000

Loans

Mortgages ..... 71,077,000

Loans on securities ..... 328,000

71,405,000

Office premises (Note 4) ..... 1,110,000

Other assets ..... 184,000

\$103,554,000

On behalf of the Board:

  
Director

  
Director



## LIABILITIES

### Deposits

Savings and chequing deposits .....	\$ 40,817,000
Term deposits .....	458,000
Guaranteed investment certificates .....	28,611,000
Debentures (Note 6) .....	25,073,000
Retirement savings plan .....	1,007,000
	<u>95,966,000</u>

Accounts payable .....	175,000
Income taxes payable .....	150,000
Mortgages on office premises .....	210,000
Deferred mortgage fee income (Note 7) .....	563,000
	<u>97,064,000</u>

## SHAREHOLDERS' EQUITY

### Capital stock (Notes 2 and 8)

#### Authorized

3,000,000 shares of \$5 par value each

#### Issued and fully paid

1,103,593 shares .....

General reserve .....	332,000
Retained earnings .....	640,000

6,490,000  
\$103,554,000

# ONTARIO TRUST COMPANY

## STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1971 (NOTE 2)

### Income

Interest from mortgages and other loans	\$5,279,000
Interest and dividends from investments	1,384,000
Fees and commissions	559,000
Other operating revenue	175,000
	<u>7,397,000</u>

### Expense

Interest on deposits	5,039,000
Salaries and staff benefits	909,000
Premises expense, including depreciation of \$84,000	336,000
Other operating expenses	625,000
	<u>6,909,000</u>

Income before taxes, security gains and extraordinary items 488,000

### Income taxes

Current	177,000
Deferred	24,000
	<u>201,000</u>

Income before security gains and extraordinary items 287,000

Gain on sale of securities less related income taxes of \$114,000 145,000

Net income for the year before extraordinary items 432,000

Tax adjustments and other item (Note 11) 149,000

Net income for the year \$ 581,000

### Earnings per share (Note 12)

Income before security gains and extraordinary items	\$ .26
Security gains	<u>.13</u>
Net income for the year before extraordinary items	.39
Tax adjustments and other item	<u>.14</u>
Net income for the year	<u><u>\$ .53</u></u>



ONTARIO TRUST COMPANY  
STATEMENTS OF GENERAL RESERVE AND RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 1971 (NOTE 2)

GENERAL RESERVE

Contributed surplus on amalgamation of Northland Trust and Central Ontario Trust	\$ 98,000
Contributed surplus (premium on capital stock) on the issue of shares for the net assets of Central Ontario Savings	151,000
Adjustment arising from restatement of certain assets which were purchased from Central Ontario Savings at their tax values	83,000
Balance, December 31, 1971	<u>\$332,000</u>

RETAINED EARNINGS

Balance of retained earnings of the amalgamating companies as at January 1, 1971	\$ 59,000
Net income for the year	581,000
Balance, December 31, 1971	<u>\$640,000</u>

# ONTARIO TRUST COMPANY

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 1971

1. The company was formed by letters patent issued by the Province of Ontario on December 31, 1971 which provided for the amalgamation on that date of Northland Trust Company ("Northland") and Central Ontario Trust & Savings Corporation ("Central Ontario Trust") pursuant to an agreement dated November 18, 1971 between Northland, Central Ontario Trust and Central Ontario Savings & Loan Corporation ("Central Ontario Savings").
2. In accordance with the terms of the November 18, 1971 agreement referred to in Note 1:
  - (a) All of the issued and outstanding shares of Northland and Central Ontario Trust were converted into 556,927 shares of Ontario Trust Company.
  - (b) Ontario Trust Company acquired the assets and assumed the liabilities on December 31, 1971 of Central Ontario Savings for the consideration of 546,666 fully paid shares.
  - (c) In exchange for existing options of Northland and Central Ontario Savings, Ontario Trust Company will enter into share purchase option agreements as follows:
    - on 1,656 shares at \$6.17 per share until July 15, 1972
    - on 960 shares at \$7.81 per share at various dates up to July 15, 1975
    - on 83,958 shares at \$5.00 per share until December 14, 1975
    - on 110,000 shares at \$5.00 per share until September 30, 1978
  - (d) These financial statements are for the financial year commencing January 1, 1971 and ending December 31, 1971 as if the amalgamation and acquisition of assets provided for in the agreement had become effective on January 1, 1971.

### 3. SECURITIES

Bonds and term notes are stated at amortized cost. Stocks are stated at cost. Included in Provinces of Canada bonds are Ontario Hydro notes amounting to \$6,913,000 which mature in January and February 1972.

The market values at December 31, 1971 are:

Bonds	
Government of Canada .....	\$ 7,330,000
Provinces of Canada .....	9,843,000
Municipal and other .....	3,409,000
Stocks .....	764,000
	<u>\$21,346,000</u>

### 4. OFFICE PREMISES

Office premises and equipment are stated at cost less accumulated depreciation of \$167,000. Leasing agreements for the rental of head office and branch premises have been assumed which expire on various dates up to 1990 and require aggregate rental payments of approximately \$1,650,000; annual rents under these leases amount to \$150,000.



5. GUARANTEED TRUST ACCOUNT

Included in total assets are assets of \$95,966,000 held for guaranteed trust account.

6. DEBENTURES

These debentures, issued by Central Ontario Savings, will continue in existence to the respective dates of their maturities; such indebtedness in the future will be in the form of guaranteed investment certificates.

7. DEFERRED MORTGAGE FEE INCOME

The company amortizes mortgage service fees over the term of the mortgage rather than recognizing them all as income in the year the mortgage loan is made.

8. CAPITAL STOCK

Subsequent to December 31, 1971, the company issued 400,000 shares of its capital stock for a net cash consideration of \$2,660,000.

9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Senior officers of the company as constituted on December 31, 1971 received direct remuneration in 1971 of \$82,000. No directors' fees were paid during the year.

10. INCOME TAXES

The company has adopted the allocation method of recording taxes on income. Under this method, recognition is given in the accounts to the tax effects of the annual differences between reported income and taxable income. Such differences arise primarily from reporting as income for tax purposes a portion of mortgage fees which are deferred in the accounts, claiming certain reserves for income tax purposes only, and recording depreciation in the accounts at an amount different than capital cost allowance claimed. As a result of these timing differences, the predecessor companies have reported for tax purposes income in excess of amounts recorded in the accounts. The net tax effect of these timing differences as at December 31, 1971, is \$41,000 made up of "deferred tax charges" in the amount of \$65,000, which amount has been recorded as an extraordinary item (Note 11), less the current provision of \$24,000 for deferred income taxes; such deferred tax charges of \$41,000 are included on the balance sheet with "other assets".

11. EXTRAORDINARY ITEMS

Tax effect of timing differences in reporting income for tax purposes as explained in Note 10:

(a) Used to reduce income taxes otherwise payable	
for the current year .....	\$141,000
(b) Available to reduce income taxes of future years .....	65,000
Costs relating to the amalgamation and purchase	
described in Note 2 .....	(57,000)
	<u>\$149,000</u>

12. EARNINGS PER SHARE

Earnings per share have been calculated on the basis of the average number of shares outstanding during the year in each of the companies referred to in Note 2; earnings per share on a fully diluted basis are not materially different.



**ONTARIO TRUST**

HEAD OFFICE 109 Vanderhoof Avenue,  
Toronto 17. (416) 421-8420

Office of the  
Chairman of the  
Board and Chief  
Executive Officer Suite 3208,  
Toronto Dominion Bank Tower,  
Toronto 111. (416) 364-3397

**BRANCHES  
TORONTO**

558 Bloor Street West. (416) 534-9211  
J. Di Luca, Manager

1064 Eglinton Avenue West. (416) 789-2933  
J. M. Morton, Manager

2913 Lakeshore Blvd. West. (416) 259-2351  
J. I. Davidson, Manager

1468 Queen Street West. (416) 531-9908  
J. C. Merritt, Manager

BRAMPTON Shoppers' World. (416) 457-3201  
C. D. Cameron, Manager

CORNWALL 6 Second Street East. (613) 933-1433  
Y. Beauregard, Manager

KAPUSKASING Model City Mall. (705) 335-2351  
G. D. Leroux, Manager

KINGSTON 94 Princess Street. (613) 542-2837  
W. G. Belyea, Manager

KIRKLAND LAKE 51 Government Road West. (705) 567-5277  
N. Krcel, Manager

NORTH BAY 414 Fraser Street. (705) 474-0470  
J. A. Plant, Manager

OSHAWA 19 Simcoe Street North. (416) 723-5221  
J. A. Phinn, Manager

OTTAWA 150 Sparks Street. (613) 236-7121  
R. J. Acres, Manager

SUDBURY 124 Cedar Street. (705) 675-1351  
W. J. Vanstone, Manager

TIMMINS 194 Third Avenue. (705) 264-9541  
G. H. Clement, Manager

WINDSOR 600 Ouellette Avenue. (519) 252-7268  
R. Defoe, Manager



## BALANCE SHEETS AS AT DECEMBER 31, 1970

	Central Ontario Savings	Northland Trust	Central Ontario Trust
ASSETS			
Cash and Bank Deposit Receipts .....	\$ 4,533,216	\$ 2,724,558	\$ 938,850
Securities .....	5,774,752	5,132,911	3,927,662
Mortgages .....	29,565,958	19,843,786	6,508,516
Offices Premises .....	1,018,712	147,466	40,702
Other Assets .....	445,635	275,856	75,900
Totals .....	<u>\$41,337,273</u>	<u>\$28,124,577</u>	<u>\$11,491,630</u>
LIABILITIES			
Deposits .....	\$37,977,979	\$25,918,422	\$10,310,468
Deferred Income .....	316,373	299,840	83,696
Other .....	247,224	55,348	8,150
Shareholder's Equity .....	2,795,697	1,850,967	1,089,316
Totals .....	<u>\$41,337,273</u>	<u>\$28,124,577</u>	<u>\$11,491,630</u>

